

COMMITTEE ON LEGISLATIVE RESEARCH
OVERSIGHT DIVISION

FISCAL NOTE

L.R. No.: 1091-01
Bill No.: HB 344
Subject: Military Affairs; Taxation and Revenue - General and Property
Type: Original
Date: February 26, 2001

FISCAL SUMMARY

ESTIMATED NET EFFECT ON STATE FUNDS			
FUND AFFECTED	FY 2002	FY 2003	FY 2004
General Revenue	(\$2,336,353)	(\$2,422,609)	(\$2,572,811)
Total Estimated Net Effect on <u>All</u> State Funds	(\$2,336,353)	(\$2,422,609)	(\$2,572,811)

ESTIMATED NET EFFECT ON FEDERAL FUNDS			
FUND AFFECTED	FY 2002	FY 2003	FY 2004
None			
Total Estimated Net Effect on <u>All</u> Federal Funds	\$0	\$0	\$0

ESTIMATED NET EFFECT ON LOCAL FUNDS			
FUND AFFECTED	FY 2002	FY 2003	FY 2004
Local Government	\$0	\$0	\$0

Numbers within parentheses: () indicate costs or losses.
This fiscal note contains 4 pages.

FISCAL ANALYSIS

ASSUMPTION

Officials of the **Department of Revenue (DOR)** state this legislation creates a refundable tax credit for taxpayers who derive over seventy-five percent of income from active duty military service. The tax credit is equal to 100% of personal property taxes paid by the taxpayer provided that the taxpayer does not claim any other credit or deduction for property taxes on the state tax return for that tax year.

According to Budget and Planning, there are 17,184 taxpayers qualified for this tax credit. Therefore, the Department will not request additional FTE at this time. However, if the number of taxpayers is incorrect in this assumption, the Department will need one Temporary Tax Season Employee for every 37,500 additional credits, one Tax Processing Tech I for every 30,000 additional errors generated and one Tax Processing Tech I for every 3,000 additional pieces of correspondence received regarding this credit. Any FTE needed will be requested during the normal budget process.

This legislation will require modifications to the individual income tax systems. The Division of Taxation estimates these modifications, including programming changes, will require 1,384 hours of contract labor, a cost of \$46,170. Modifications to tax returns and schedules will be completed with existing resources. State Data Center charges will increase due to the additional storage and fields to be captured. Funding in the amount of \$9,007 is requested for implementation costs.

Officials of the **Office of Administration - Division of Budget and Planning (BAP)** state this proposal would provide a state tax credit for personal property tax paid by active duty military personnel in Missouri. Information supplied by a U.S. Representative's office indicates that Missouri has 17,184 active duty military personnel. Officials of the State Tax Commission believe that the average personal property tax paid is \$125. Assuming 100% of military personnel claimed the credit, the cost to the state in 2001 would be \$2,148,000. For 1998 and 1999, personal property tax on motor vehicles grew 5.2% and 8.2% respectively.

Oversight assumes the personal property tax growth rate would be an average of the 1998 and 1999 growth rates (6.7%). Using BAP's assumptions, Oversight estimates losses of \$2.3 million in FY02, \$2.4 million in FY03 and \$2.6 million in FY04.

Officials of the **Missouri Tax Commission (TAX)** assume this bill will have no fiscal impact on their agency. In addition, TAX noted that the 1990 census data indicated there were 18,569 active military personnel in Missouri. Without a good source of how many own cars, TAX assumes 12,000 own a car (some may own more than one), and imputing an average tax of \$125, (which is probably a low estimate since it is the approximate average tax due on a 1994-5 Ford Taurus), the potential credit paid out would be about \$1.5 million.

ASSUMPTION (continued)

Officials from the **Department of Public Safety, Missouri National Guard (MNG)** do not anticipate a direct fiscal impact.

Officials of the **Department of Public Safety, Veterans' Commission (VET)** assume this bill will have no fiscal impact on their agency.

This legislation will reduce total state revenues.

<u>FISCAL IMPACT - State Government</u>	FY 2002 (10 Mo.)	FY 2003	FY 2004
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GENERAL REVENUE FUND

<u>Loss to General Revenue Fund</u>			
Personal property tax credit for military	(\$2,281,176)	(\$2,422,609)	(\$2,572,811)

<u>Cost - Department of Revenue</u>			
Programming changes	<u>(\$55,177)</u>	<u>\$0</u>	<u>\$0</u>

ESTIMATED NET EFFECT ON GENERAL REVENUE FUND	<u>(\$2,336,353)</u>	<u>(\$2,422,609)</u>	<u>(\$2,572,811)</u>
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<u>FISCAL IMPACT - Local Government</u>	FY 2002 (10 Mo.)	FY 2003	FY 2004
	\$0	\$0	\$0

FISCAL IMPACT - Small Business

No direct fiscal impact to small businesses would be expected as a result of this proposal.

DESCRIPTION

This bill authorizes a state individual income tax credit for tax years beginning after January 1, 2001, equal to 100% of any personal property tax paid by certain military personnel. The qualified taxpayer must receive at least 75% of his or her income from active duty military

DESCRIPTION (continued)

service in any branch of the United States armed forces or in the National Guard.

The credit may not be taken by taxpayers who claim any other deduction or credit for property taxes paid on their tax return. The credit will be refundable.

This legislation is not federally mandated, would not duplicate any other program and would not require additional capital improvements or rental space.

SOURCES OF INFORMATION

Department of Revenue
Office of Administration
Division of Budget and Planning
Missouri Tax Commission
Department of Public Safety
Missouri National Guard
Missouri Veterans Commission



Jeanne Jarrett, CPA
Director

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